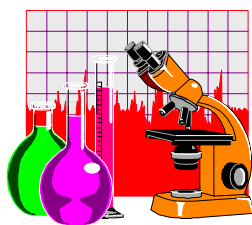


Information on Washington's Tax Structure



Distressed Area Sales/Use Tax Deferral Program

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.



The Distressed Area Sales/Use Tax Deferral Program grants a deferral of sales/use tax for manufacturing, research and development, or computer-related businesses (excluding light and power

businesses) locating in specific geographical areas. The sales/use taxes on qualified construction and equipment costs are waived when all qualifications are met for a specified period of time.

NOTE: If you applied for and received a Distressed Area Sales/Use Tax Deferral Certificate prior to August 1, 1999, your qualifications and conditions for deferral of the taxes are different.

The sales and/or use taxes for businesses located in distressed areas, Community Empowerment Zones (CEZ), or a county containing a CEZ are waived when all program requirements have been met and verified. These requirements include:

- ◆ The project is certified as operationally complete;
- ◆ All purchases are verified as eligible by the Department of Revenue; and
- ◆ The facility is used for qualified manufacturing activities during the year in which the investment project is certified as operationally complete and the following seven years.

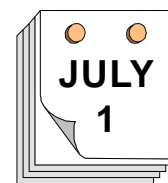
Employment requirements are explained later in this fact sheet.

This program expires on July 1, 2004.

ELIGIBLE AREAS

NOTE: The list of eligible areas is revised annually (effective July 1 through June 30). Businesses making investment or hiring decisions should be aware that a specific area may not be on the list every year. Before making a final investment or hiring decision based on these programs, the business should call the Special Programs Division at (360) 753-5545 to determine eligibility of the area.

- ◆ **Rural Counties:** Counties with a population density of fewer than 100 people per square mile. This designation is revised annually on July 1 based on population figures announced by the Office of Financial Management.



- ◆ **Community Empowerment Zones (CEZ):** A designated CEZ or a county containing a CEZ. CEZs have a continuing status and are not reevaluated annually or removed from the list.

Please see the designated area table included in this publication.

Designated Areas
Population Density Basis and CEZs
August 1, 1999 - June 30, 2000

County	Sales Tax Deferral 82.60	B&O Job Credit 82.62
Adams	X	X
Asotin	X	X
Benton	X	X
Chelan	X	X
Clallam	X	X
Clark		
Columbia	X	X
Cowlitz	X	X
Douglas	X	X
Ferry	X	X
Franklin	X	X
Garfield	X	X
Grant	X	X
Grays Harbor	X	X
Island		
Jefferson	X	X
King	CEZ+ COUNTY	CEZ ONLY
Kitsap	CEZ+ COUNTY	CEZ ONLY
Kittitas	X	X
Klickitat	X	X
Lewis	X	X
Lincoln	X	X
Mason	X	X
Okanogan	X	X
Pacific	X	X
Pend Oreille	X	X
Pierce	CEZ+ COUNTY	CEZ ONLY
San Juan	X	X
Skagit	X	X
Skamania	X	X
Snohomish		
Spokane		
Stevens	X	X
Thurston		
Wahkiakum	X	X
Walla Walla	X	X
Whatcom	X	X
Whitman	X	X
Yakima	X	X

REQUIREMENTS/QUALIFICATIONS

The business must be located in one of the eligible counties or areas.

The business must invest in facility construction, expansion, or machinery and equipment acquisition. The machinery and equipment must be new to the business or the state and must be integral and necessary to the operation of the eligible business activity.

Used machinery qualifies. A new building is not required.

The cost of the expansion or modernization of an existing facility qualifies if floor space or production capability is increased.

Construction costs for a qualified leased building are eligible for the program, provided the benefit of the deferral is passed on to the qualified business in the form of reduced rent OR the underlying ownership of the building, machinery, and equipment vests with the same person(s).

Cogeneration facilities that are part of a manufacturing facility qualify on the portion that is used to generate power for on-site consumption.

EMPLOYMENT REQUIREMENTS

Employment requirements for businesses locating in a CEZ, or a county containing a CEZ are:

- ◆ At least one qualified employment position must be created for every \$750,000 of investment on which a deferral is requested.
- ◆ The new qualified employment positions created must be filled by persons who, at the time of hiring, are residents of the CEZ within the county where the investment project is located. Application for the deferral must be made to the Department PRIOR to hiring the CEZ employee.
- ◆ This employment requirement must be met by the end of the calendar year following the year the investment project is operationally complete. If the requirement is not met, the deferred tax will be declared immediately due.

All costs of the investment project, including labor and services performed in the planning, installation and construction of the project, are used to determine the eligible portion for deferral.

APPLICATION

An application must be filed with the Department of Revenue PRIOR to initiation of construction or taking possession of machinery or equipment. Once an application is filed, construction or possession of machinery or equipment may begin. The granting or denial of the application can take up to 60 days.

A copy of the [Distressed Area Application for Sales and Use Tax](#), and the [Distressed Area Application for Sales and Use Tax Deferral for Lessor](#) are included in this publication.

Additional applications may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985) or you can have them faxed by calling the Fast Fax system at (360) 786-6116 and requesting code number 811002 or code number 811008 for the Lessor application.

The Department of Revenue must approve or deny applications within 60 days. If approved, a Tax Deferral Certificate is issued to the business to provide to vendors and contractors at the time of purchase. If denied, the business may appeal the decision to the Department's Appeals Division.

USE OF THE DEFERRAL CERTIFICATE

The deferral certificate allows vendors and contractors to sell to approved businesses without charging retail sales tax. Sales and use tax may be deferred on three kinds of expenditures:

1. Qualified buildings;
2. Qualified machinery and equipment; and
3. Labor and services rendered in the planning, installation and construction of the project.

The purpose of the Distressed Area Deferral program is to relieve manufacturing firms, undertaking qualified investment projects in eligible areas, of the obligation to pay tax on the retail construction services. However, it is not a comprehensive sale and use tax exemption. The deferral does not extend to prime construction contractors or subcontractors. It does

not relieve contractors or subcontractors of their obligation to pay tax on the purchase or rental of tools, equipment, and supplies that are not incorporated into the final project, even though the ultimate cost of the tax is passed on to the person making the investment.

EMPLOYEE TRAINING B&O TAX CREDITS

A B&O tax credit is available to businesses that have received approval for the Distressed Area Sales/Use Tax Deferral Program after January 1, 1996 and who provide employee job training at no cost to the employee.

The maximum annual credit a business may use is \$5,000. The credit is computed by multiplying the approved training cost by 20 percent.

Applications will be accepted by the Department of Revenue, but will be returned to and approved by the Employment Security Department. If approved, the Employment Security Department will send the business written confirmation and the Department of Revenue will send the business an affidavit to claim the tax credit on the Combined Excise Tax Return.

Questions about the application should be referred to the Employment and Training Division of the Employment Security Department at (360) 438-4644.

Questions relating to the use of the Employee Training B&O Tax Credit should be referred to the Department of Revenue at (360) 902-7045.

LAWS AND RULES

- ◆ Chapter 82.60 Revised Code of Washington (RCW) — Tax Deferrals for Investment Projects in Distressed Areas
- ◆ Washington Administrative Code (WAC) 458-20-24001 — Sales and use tax deferral — Manufacturing and research/development facilities in distressed areas

The Department of Revenue will, upon request, provide copies of the laws and administrative rules.

PUBLICATIONS ORDER FORM

The Department of Revenue offers numerous publications covering a wide range of topics. These publications are available upon request from any Department of Revenue field office, or by calling the Telephone Information Center at 1-800-647-7706, or by completing this form and mailing it to: Department of Revenue, Taxpayer Services Division, PO Box 47478, Olympia, WA 98504-7478. Many of these publications are also available on the Department's Internet web site at <http://dor.wa.gov>.

QUANTITY	PUBLICATION		PUBLICATION
_____	Guide to Completing the Combined Excise Tax Return	_____	Outline of Major Taxes
_____	Active, Nonreporting Business	_____	Personal Property Tax
_____	Aircraft Taxes	_____	Property Tax Deferrals for Senior Citizens and Disabled Persons
_____	Audit Process	_____	Property Tax Exemptions for Senior Citizens and Disabled Persons
_____	Below Minimum	_____	Resale Certificate
_____	Business and Occupation Tax	_____	Real Estate Transactions and Use Tax
_____	Business Tax Overview	_____	Retail Sales Tax
_____	Child Care Operators	_____	Small Claims Hearings
_____	Cigarette Tax	_____	Taxpayer Rights and Responsibilities
_____	Collection Process	_____	Tax, Title and Registration of Boats
_____	Deferrals, Credits and Exemptions	_____	Temporary Business Registration
_____	Electronic Funds Transfer	_____	Unclaimed Property
_____	Electronic Filing	_____	Use Tax
_____	Farm Use Tax		
_____	Fast Fax		
_____	Fish Taxes	OTHER:	
_____	Hazardous Substance Tax	_____	Excise Tax Advisory (ETA) _____ identify by number
_____	High Technology B&O Tax Credit	_____	Numerical listing and titles of ETAs
_____	Homeowner's Guide to Property Tax	_____	Special Notice _____ identify by number and title
_____	Horse Industry Tip Sheet	_____	Tax Topics article reprint _____ please include code, issue and article
_____	How to Amend Your Combined Excise Tax Return	_____	WAC (Rule) _____ identify by number
_____	New Business Handbook	_____	Washington Tax Facts _____ identify by name
_____	Nonprofit Organizations		

PLEASE SEND PUBLICATION(S) TO:

Contact Person: _____

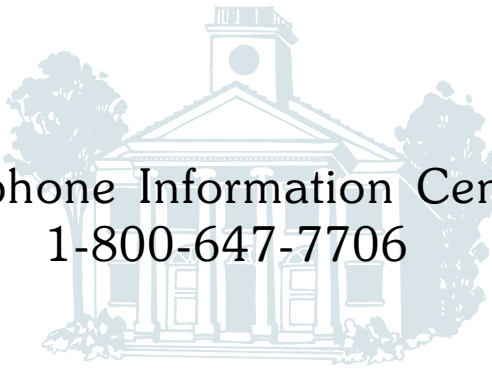
Business Name: _____

Street Address: _____

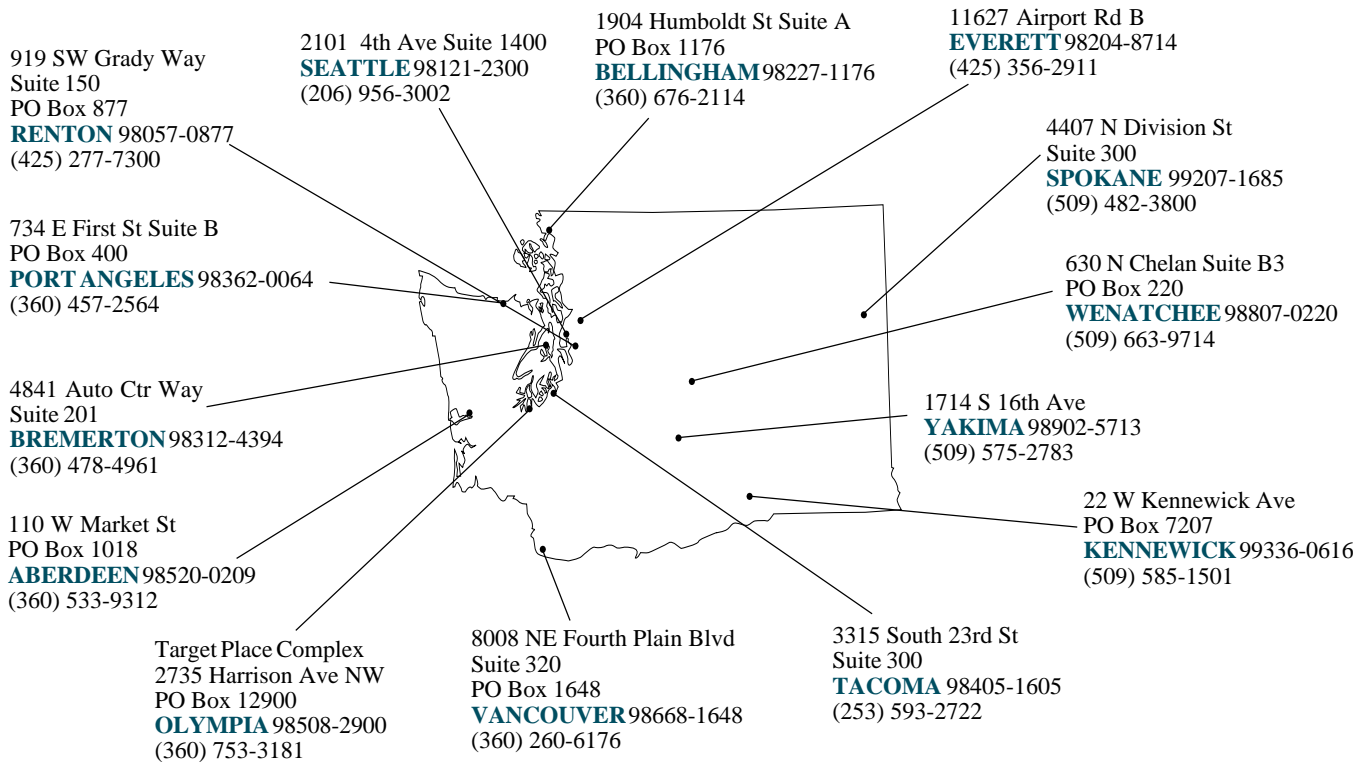
City, State, Zip: _____

Department of Revenue

Telephone Information Center
1-800-647-7706



FIELD OFFICE LOCATIONS



<http://dor.wa.gov>

To inquire about the availability of this publication in an alternate format for the visually impaired or a language other than English, please call (360) 753-3217. Teletype (TTY) users, please call 1-800-451-7985



Serving the People of Washington

Printed on recycled paper

Prepared by the Taxpayer Services Division

FS 0030 8/99